

## **Budget 2020/2021 – Public Participation**

### **The South African Breweries Maltings (SABM)**

#### **Municipal Feedback:**

We refer to your letter and after careful consideration of your submission, we wish to advise as follows.

The proposal submitted was thoroughly discussed at our Budget Steering Committee, which is represented by both Councillors and Senior Managers, and the following was considered:

#### **Financial Context**

We noted and appraised the financial comparison against other municipalities where similar sites are situated throughout South Africa in your full submission. However, the detail and argument exclusively focuses on the water tariffs, whilst neglecting to mention the overall account obligations at these Sites in respect of Property Rates, Electricity, Sewerage and even Refuse in some instances.

Firstly, the municipal tariffs is calculated on a cost reflective basis, which ultimately ensures that we honour bulk purchase payments to our Service Provider. The municipality has an agreement with the Service Provider to pay a fixed availability charge as well as a consumption rate, in which case the municipality carries a financial obligation to pay this fixed charge irrespective of fluctuations in the levels of consumption. The municipality also expects annual increases on these bulk purchases and must therefore make provision in its budget (and through its tariffs) for these increases to balance our own financial sustainability versus affordability of the municipal account.

Secondly, considering other charges of these other municipalities against that of TWK, you will find that at TWK your monthly billing account is significantly lower in total. The financial reality is whether there is a change in water tariffs; a change in rates or other billable services is then unavoidable to make up the difference. It is a known fact that rates funded services are paid for from surpluses on electricity and water of which electricity contributes the most. This in itself puts your company in an advantageous position in comparison with other businesses and bulk consumers using municipal electricity. The budget steering committee also notes that it has accommodated your company in the past by introducing a bulk industrial tariff, which is lower when compared to other businesses and industries.

#### **Technical Context**

SABM should note that a lot of investing into upgrading of infrastructure has realised over the past two financial years. This was all capital projects.

#### **Water**

Since the drought, the TWK municipality invested in the purification of our existing sources in order to alleviate the impact of the drought on our consumers. 50% of the total water usage during the drought period was purified through this initiative. Just keep in mind that your institution abstracts between 55 – 60 % of the total water usage of Caledon. Securing and initiating this project from cradle to deliverance of water costed the municipality R10 million.

#### Bulk Sewer Pipeline

The bulk sewer is also being constructed with an initial construction cost of R52 641 327. This is also to accommodate the effluent coming from your premises as well as the rest of the town's effluent. Your effluent equates to a total of 92161kl per year, which is 12% of total effluent received at the WWTW.

#### Caledon WWTW (Waste Water Treatment Works)

Similar to the above the Caledon WWTW is in the process of being upgraded at an initial cost of R55 800 573.02. Again, the COD and type of effluent water received from your premises made it a much more costly method of construction since the process had to be specialised in order to reach special standards in terms of the WULA.

In total therefore and based on consumption levels and capacity, the proportionate direct cost applicable to render the service to your premises equates to

55% of R10 000 000.00	=R5 500 000.00
12% of R52 641 327.00	= R6 316 959.24
12% of R55 800 573.02	= R6 696 068.76

#### **Official Response:**

Unfortunately, the municipality will remain with the proposed tariffs as set out in the Budget for 2020-2021, in light of all the above factors and considerations.

We would however like to engage with the SABM further in order to find amicable solutions that will ensure sustainable tariff increases in the future.